



PSC NEWS

Missouri Public Service Commission

Contact: Gregg Ochoa
FY-07-152

Phone: (573) 522-2760

Governor Office Building, Suite 600

FOR IMMEDIATE RELEASE

DECEMBER 21, 2006

PSC APPROVES RATE INCREASE FOR EMPIRE DISTRICT ELECTRIC

JEFFERSON CITY – The Missouri Public Service Commission today authorized The Empire District Electric Company to increase permanent electric revenues by approximately \$20 million a year, or about 5 percent. The vote was 3-2.

The company had sought an annual increase in electric revenues of approximately \$29.5 million or 9.6 percent. Empire officials said the increase was needed to recover increasing fuel and purchased power costs.

The order approved by the Commission included termination of the Interim Energy Charge (IEC) authorized in March of 2005. The charge was designed to address the potential volatility in natural gas and wholesale electricity prices. Several of Empire's power plant facilities use natural gas to generate the electricity to serve customers. The Commission said the charge limited recovery of Empire's prudently incurred fuel and purchased power expenses.

The Commission also ordered that Empire's Low Income Assistance Program – an experimental rate discount program targeted to low-income customers in the Joplin service area -- remain in place and existing funding levels stay the same. The Commission ruled that if Empire wants to change the weatherization program, the Customer Collaborative Group must make recommendations, and then Empire may propose a tariff change.

The Commission granted Empire a return on equity of 10.9%. In its rate request, Empire sought 11.7%. "In light of the comparable companies' average ROE at or near 10.9%, the national average ROE of 10.5%, and the perceived risks associated with investment in Empire (including the downgrade of Empire's credit rating to the lowest investment grade after this case was filed), the Commission concludes that 10.9% is the reasonable and appropriate ROE for Empire," the order said.

The Empire District Electric Company serves approximately 136,900 electric customers in the Missouri counties of Barry, Barton, Cedar, Christian, Dade, Dallas, Greene, Hickory, Jasper, Lawrence, McDonald, Newton, Polk, St. Clair, Stone and Taney.